

The housing sector has enjoyed unprecedented growth and development over the past decade due to an increasing population, the boom of the American economy during the 1990s, and the continued strength of the housing market. This growth, however, means an increased demand for infrastructure as roads and schools become overcrowded. The loss of nearby open space to development raises concerns about parks and open space protection. To deal with these growth challenges, many states and localities are focusing anew on land use planning, growth management, open space preservation, and new approaches to transportation.

REALTORS® appreciate the increasing interest in preserving and improving the quality-of-life of communities and addressing the challenges of growth.

As members of the community, they share these concerns. And as business people, they are well aware of the importance to homebuyers and all citizens of good schools and parks, safe neighborhoods, efficient transportation, and clean air and water.

REALTORS® also understand, however, that growth management policies that overly restrict the supply of developable land can distort real estate markets, limit housing choice, and make homes less affordable.

Despite record-high homeownership rates, the U.S. has a severe affordable housing crisis. Some 5.4 million families – or nearly 13 million people – have critical housing needs, and many more spend a very large percentage of their income on housing. According to the Joint Center for Housing Studies of Harvard University, in 1999, 9.1 million households with income less than 30 percent of their area's

median income spent more than half of their income on housing. A family with two workers both making minimum wage cannot afford to rent a two-bedroom apartment in any metropolitan area in

America. While there are many reasons for this crisis, high land costs due to restrictive growth policies is one that must be addressed since further restrictions on development can only make the affordability problem worse.

Demographers predict that by 2010, 24.5 million more Americans will need housing than did in the year 2000. Our primary and secondary schools must be ready to educate half a million more children. Seventeen million more workers will commute to and from their jobs. Growth pressures on desirable communities will continue to make Smart Growth an issue high on the agenda of communities nationwide.

REALTORS®, like their customers and all citizens, have a great deal at stake in the debate over livability. Sharon Millett, the 1999 President of the NATIONAL ASSOCIATION OF REALTORS®, appointed a special Presidential Advisory Group (PAG) on Smart Growth to support REALTORS® and their state and local associations as they work within their communities. Its charge was to determine the impact of growth and Smart Growth solutions on real estate, to develop principles as a foundation for NAR policy, to develop strategies to strengthen REALTOR® involvement, and to determine the scope of NAR involvement in Smart Growth issues.



REALTORS® don't just sell houses and buildings. We sell neighborhoods.

Smart Growth Principles For REALTORS®

Early in its work, the Presidential Advisory Group established five guiding Smart Growth principles for REALTORS® and objectives to support these principles.

Provide Housing Opportunity and Choice. Homeownership is the cornerstone of the American dream and deserves a preferred

Voters want growth to be managed — but are opposed to regulations that would impinge on property rights or stop new housing from being built.

place in our system of values as it contributes to community responsibility; civic, economic, business and employment stability; and family security and well being. These

objectives can best be met through market-driven housing approaches that foster a wide-range of urban, suburban and rural housing choices at all price levels to suit a diverse population. Growth management plans should provide for an adequate supply of land for housing, both owner-occupied and rental, at all price levels. Zoning codes should evolve to accommodate higher densities, mixed-use development, and changing housing demand. The unintended consequences of growth

policies should be monitored via economic impact studies and market analyses. Development approval procedures should increase the level of certainty in the development and building review and permit processes.

Build Better Communities. Real estate of all types flourishes best in livable communities that offer a high quality of life at a reasonable cost. Livable communities offer a variety of affordable housing choices, good schools, low crime, quality public services, efficient transportation systems, ample recreation and park areas, open space, a strong employment base and an economically viable commercial sector. Through advanced planning and adequate funding, communities should prepare for growth and its needed infrastructure, including roads, schools, water and sewer systems, public safety, fire protection, and parks. Growth policies should ensure an adequate supply of land for housing of all types and price levels to meet existing and forecasted housing demand, and should promote cultural diversity and equal opportunity through a free and open housing market. Planning, zoning and subdivision laws should evolve to accommodate mixed-use development, higher densities, and the changing population, employment and growth patterns of our increasingly diverse society.



Protect the Environment. To maintain a region's quality of life and to protect the environment, governments at all levels should adopt and implement policies and programs that control pollution; provide for programs of resource, land and historic preservation; and protect endangered species, aquifers, rivers and streams, agricultural lands, wetlands, scenic vistas, natural areas, historic properties and open space. In so doing, governments must recognize the importance of local





decision-making, private property rights, and the value of a healthy economy. Comprehensive land use planning should recognize the importance of and interrelationships among environmental

protection, economic development, safe and efficient transportation systems, intergovernmental cooperation, and affordable housing for everyone. Use of incentive-based program or general public funding – as opposed to regulatory program or real estate transfer taxes – should be encouraged for the preservation of open space. Acquisition of property or development rights for open space and agricultural land preservation should be from willing sellers only.

Protect Private Property Rights. Private property rights are fundamental to our free-market economic system and our way of life and are protected by the Fifth and 14th Amendments of the United States Constitution. The continued strength of our nation's economy depends on the preservation of the right to freely own, use and transfer real property. NAR supports land use, environmental and natural resource regulations that strike a fair and reasonable balance between private property rights and community interests. Government should exercise its legitimate police powers in the regulation of private property to protect the health, safety and general welfare of its citizens. However, when regulations unreasonably reduce or eliminate a property's economic use or value,

compensation should be provided to property owners. NAR also supports legislation that provides property owners expeditious access to administrative and judicial systems at all levels – local, state and federal -- to pursue Fifth Amendment takings claims or relief from other property rights violations.

Implement Fair and Reasonable Public Sector Fiscal Measures.

To support adequately the infrastructure needs of communities resulting from growth, governments at all levels should cooperate in the adoption of balanced, fair, equitable and incentive-based approaches to finance and pay for the development, expansion and maintenance of roads, school, water and sewer facilities. Revenue and financing mechanisms established to pay for necessary infrastructure costs should be shared proportionally by those segments of the population served by such infrastructure. Incentives such as tax credits should be used to encourage the redevelopment of decaying and blighted urban, suburban and rural properties to stimulate growth and improve a community's economic vitality. Key aspects of tax policy should continue to encourage savings, investment, and homeownership. The full deductibility of mortgage interest payments for both Federal and state income taxes should be maintained. Policy makers should reject efforts to cite the Mortgage Interest Deduction as one of the causes of sprawling development.

The free market is already responding to the demand for Smart Growth, as seen by new housing downtown and in first-ring suburbs, and new suburban downtowns being built.



What Is Smart Growth?

While there are many definitions of Smart Growth, most of those involved in the issue agree that there is no "one size fits all" approach to how communities should grow. In the minds of some people, Smart Growth primarily means limiting the expansion of low-density suburbs, often termed (somewhat pejoratively) "sprawl." Others view Smart Growth as better design of new development in the form of diverse, walkable, mixed-use neighborhoods.

Some stress that whatever forms it takes, Smart Growth should include provisions to meet future housing demand to accommodate both a diverse population and preservation of consumer choice. There is some agreement, too, about what Smart Growth looks like, including efficient use of land resources, better use of existing services, higher density, a variety of transportation options, and mixed-use zoning. In general, Smart Growth describes the real estate development and public policy approaches meant to achieve more livable communities, use resources wisely and protect the environment.

Different Approaches, Different Focuses

In many communities, specific aspects of Smart Growth have been considered as aids in guiding development. For example, some discussions about Smart Growth focus on the problem of suburban traffic congestion and how to reduce it. In other places, public attention focuses on the loss of nearby farms and open space to development. Still other neighborhoods express a desire for a different pattern of



suburban development that creates centers of mixed uses, as well as higher housing densities that offer the option of a "walkable community" rather than one in which driving is always necessary. Most discussions of Smart Growth also include revitalizing older city and town centers, especially through the construction of new housing.

In the late 1990s, Smart Growth concepts such as creating mixed-use centers, designing pedestrian-friendly neighborhoods, and preserving open space, became common themes in local planning discussions and, in fact, have been incorporated in many local comprehensive plans. However, only a very few municipalities have actually changed their zoning ordinances to permit or encourage more compact, mixed-use communities.

Purchasing land to preserve it from development is another approach that has become a popular response to concerns about suburban and exurban growth. In recent years, several states and localities have increased funding to acquire more public land or obtain easements to prevent development on farmland; when placed before voters at the ballot box, measures to use public funds to purchase open space have been approved in the great majority of cases.

Regardless of who defines it or how, Smart Growth policies as implemented by local governments can have dramatic impacts on local real estate markets, and hence, an impact on REALTORS®.



Elements of Smart Growth

- 1 Efficient Use of Land Resources** - Land resources can be preserved by building in a compact pattern, by building in existing built-up areas and infill locations and by protecting farmland and open space on the fringe of metropolitan areas from the spread of low-density development.
- 2 Full Use of Urban Services** - Better and more efficient use of infrastructure can result by building in areas already served by infrastructure and by building at higher average densities. Also, development design requirements should be economical by not requiring oversized streets and parking facilities.
- 3 Mixed Use** - Locating residences of many types, shops, offices, and schools within walking distance of each other creates a wide range of benefits and opportunities. A range of housing prices permits a more diverse community and allows residents to stay in the community as their income or housing needs change. Retail and jobs near housing promote independence for those who do not drive, and can shorten the average length of automobile trips.
- 4 Transportation Options** - Over-dependence on one mode of transportation or on a very small number of arterial roads has contributed to the worsening traffic in many suburban areas. A connected network of streets provides options for alternative routes and disperses traffic, as opposed to having all traffic funneling to just a few major highways. Providing sidewalks and a pleasant and safe pedestrian environment and having destinations within walking distances makes walking a viable alternative. Transit can be a cost efficient option if the density of development is sufficient to support it.
- 5 Detailed, Human-Scale Design** - Good design is vital for the success of higher density development, transit usage, and pedestrian activity. Proper size, massing, and placement of buildings as well as architectural detail can affect how people use a space and how comfortable they feel in it. This, in turn, is important for the economic success of development, the public acceptance of new development and the amount of social interaction that can occur in a place.
- 6 Implementation** - Often many Smart Growth techniques cannot be implemented because of existing ordinances and regulation. Higher density and mixed-use development, for example, are prohibited by many zoning codes. Communities need to review their codes and development approval process to make sure Smart Growth is not only permitted but also encouraged by the regulatory environment.



Source: American Planning Association, The Principles of Smart Development.

What's New About Smart Growth?

Planning, zoning, and growth management have been around for decades. So what is new about Smart Growth? Smart Growth is pro-growth. The approaches to Smart Growth

In many cases, zoning and other regulations have increased sprawl. Communities should re-evaluate their codes and standards to determine if they are promoting or hindering Smart Growth.

seek to improve the livability of communities; they conserve and rejuvenate our existing communities; and they build high-quality new communities. Smart Growth is growth that increases housing and economic opportunities for all Americans while protecting the environment.

What Are Communities Doing About It?

Land for open space. In recent years, acquisition of land using public funds has become a very popular Smart Growth tool. Voters have approved billions of dollars for open space purchase through over 500 state and local ballot measures. From 1998 through 2001, voters approved more than 80% of the ballot measures for open space acquisition.

Transportation options. In addition to building needed new roads, communities are providing alternative transportation facilities to increase mobility for all citizens. Transit usage has been increasing since the mid-1990s, and dozens



of communities are investing in new transit service. Providing transportation options can remove some cars from the roads and reduce congestion, and can also provide greater mobility for those without cars. Transportation improvements can be as simple as providing safer pedestrian routes by building sidewalks, or as large as building metropolitan transit systems.

Revitalize downtowns and neighborhoods.

Downtowns and older neighborhoods are often a wasted resource; typically these areas are centrally located and have infrastructure in place to handle new development. Brownfields, which are contaminated properties, can be cleaned and put back into productive use. In recent years, new housing construction has made a comeback in many major cities that had seen decades of inactivity.

Reexamine zoning. Zoning was created to protect residential neighborhoods from the noxious activities of an earlier industrial age. Unfortunately, in many places today, zoning has resulted in such an extreme separation of uses and restrictions on housing development that it is impossible to build complete communities. Zoning should allow for the widest range of housing; mixed-use development such as apartments over shops; accessory units to single-family homes; and neighborhood shops and restaurants that people can walk to.

Reform regulations. Subdivision and development regulations often require wide



Preserving open space has struck a chord with voters, who have approved hundreds of measures directing the purchase of land with public funds.

streets that encourage faster traffic and discourage pedestrians. State boards of education or local school boards typically require large school sites, ensuring that schools will be built on the edge of communities, rather than in a central location. And building codes designed to regulate new construction make the rehabilitation of older homes and apartments economically unfeasible. These are examples of the unintended consequences of regulations that have made it difficult to build our communities in a smart way. Many communities are tackling these problems by changing the regulations: Smart Building Codes have been adopted in states and localities to create more appropriate standards for older buildings; educators are changing site regulations and building design requirements to permit new schools to be built on small sites within older neighborhoods; and localities and state highway departments are trying different approaches, such as narrower streets, traffic calming and roundabouts to slow traffic and make our neighborhoods safer.

Town centers in the suburbs. Many suburban areas were built without a "downtown," but as the suburban population has increased, there is a growing need and market for new suburban downtowns. These are high-density nodes that can include office, retail, and residential uses, in an urban, pedestrian-friendly environment.

On Common Ground: NAR's Smart Growth Programs

On Common Ground, the NATIONAL ASSOCIATION OF REALTORS'® Smart Growth program, provides education and resources to REALTORS® through the REALTOR® network of 1,600 state and local associations and boards. Elements of the program include:

- REALTOR® training in growth management and Smart Growth issues
- National voter surveys to track public attitudes on issues pertaining to land use and growth
- Customized voter survey assistance to state and local REALTOR® associations
- A twice-yearly magazine, *On Common Ground*, which provides information on how communities are addressing growth issues.
- Research on growth management and Smart Growth issues.
- Establishing NAR as a leading "voice" in land use and Smart Growth
- Increasing usage of NAR's Land Use Initiative, which provides technical and legal analyses of proposed land use measures for state and local REALTOR® associations
- Assistance to state REALTOR® associations in writing planning and growth legislation that fits states' specific needs.
- Assisting those local REALTOR® associations without Government Affairs staff representation with the implementation of creative methods to achieve this staffing and get more involved in local government issues.
- Expanding NAR's federal lobbying efforts to include a focus on quality-of-life and community issues, including transportation, schools, and land use planning.

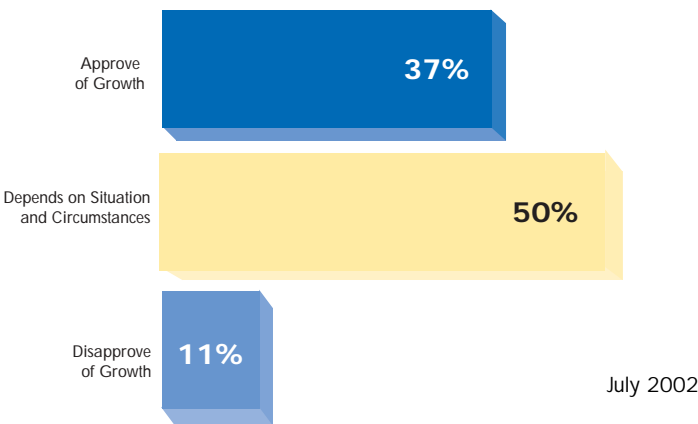


What Does the Public Think About Smart Growth?

Part of NAR's Smart Growth initiative is to undertake voter opinion polls to determine their attitudes about growth and how growth is being managed.

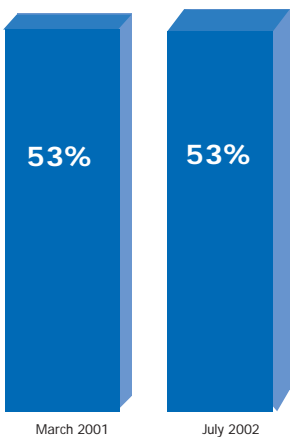
Source: Telephone surveys of 1,000 voters by Public Opinion Strategies, except where noted.

Polls show people are generally not opposed to growth:



At the same time, people do want growth to be managed more, a view which has held consistent even with a softening economy and the war on terrorism:

Growth Needs to be Managed MORE



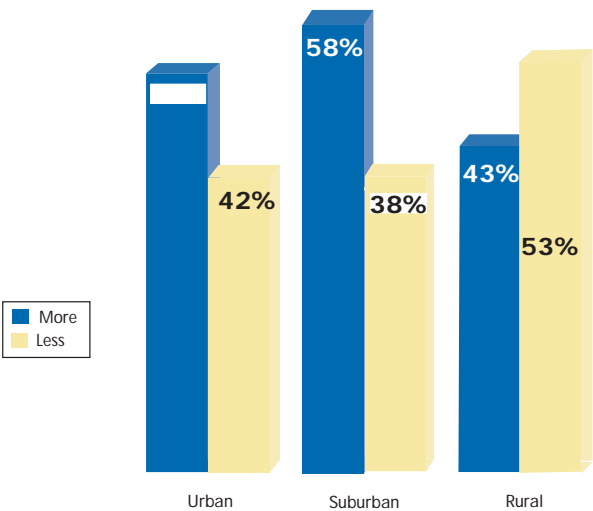
Question:
Please tell me which is closest
to your opinion:

Growth needs to be managed
MORE because problems
associated with growth need
to be addressed.

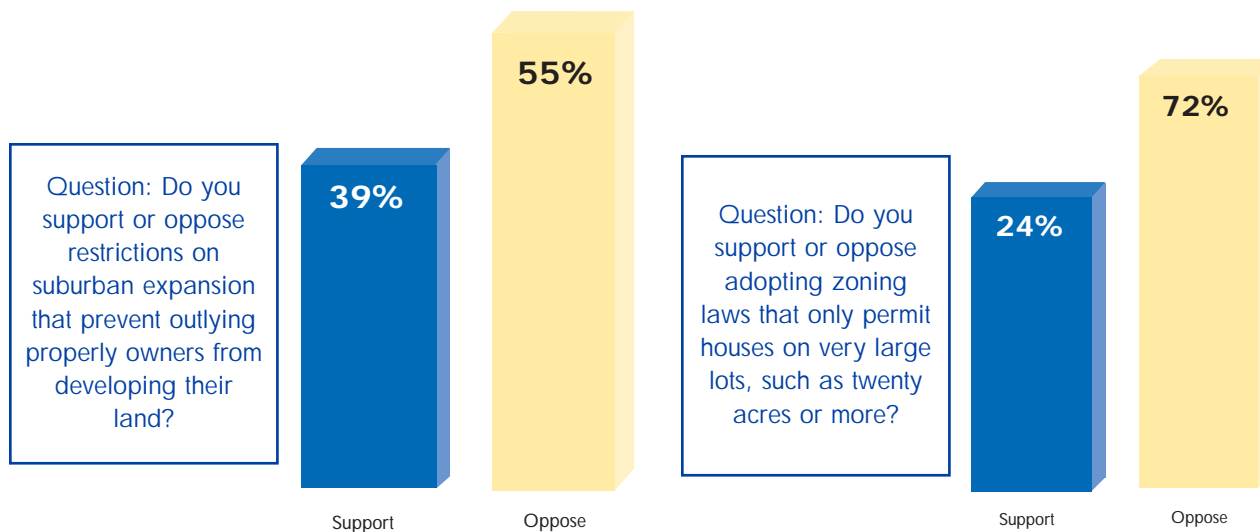
or

Growth needs to be managed
LESS because there are
already too many government
regulations about how people
can use their land.

Rural support for growth management is weaker and represents a minority of voters while suburban voters are most in favor of growth management:

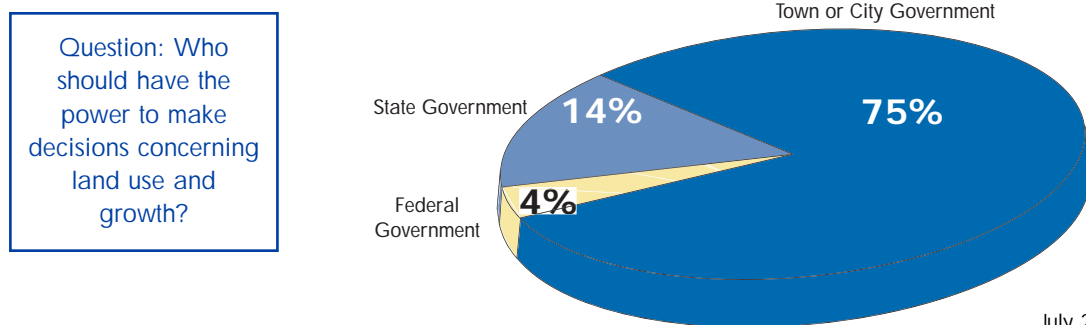


Although support for growth management is strong, voters are opposed to severe measures such as using very large lot sizes or drawing urban growth boundaries to restrict suburban expansion:



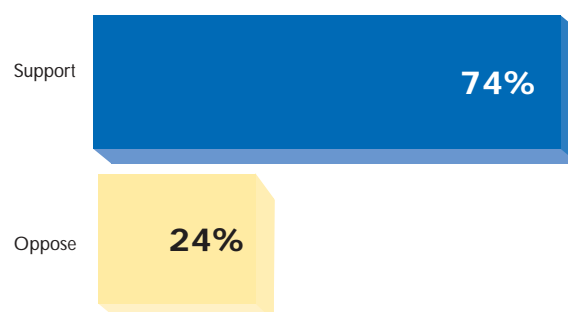
March 2001

People do not want the federal government involved in local land use planning. Local control is preferred overwhelmingly.



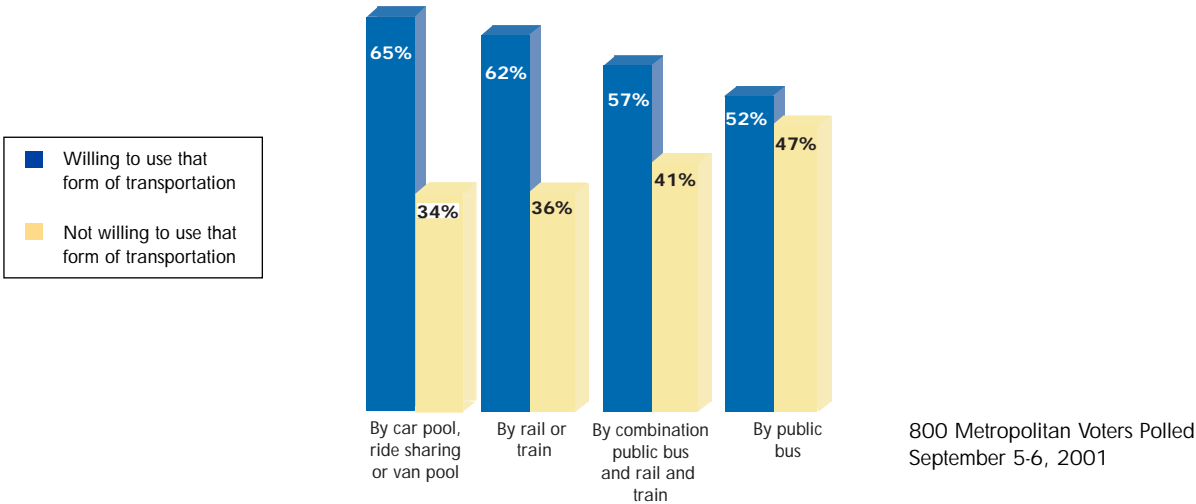
July 2002

Consistent with the success of measures at the ballot box, polls show overwhelming support for public purchase of land for open space preservation:

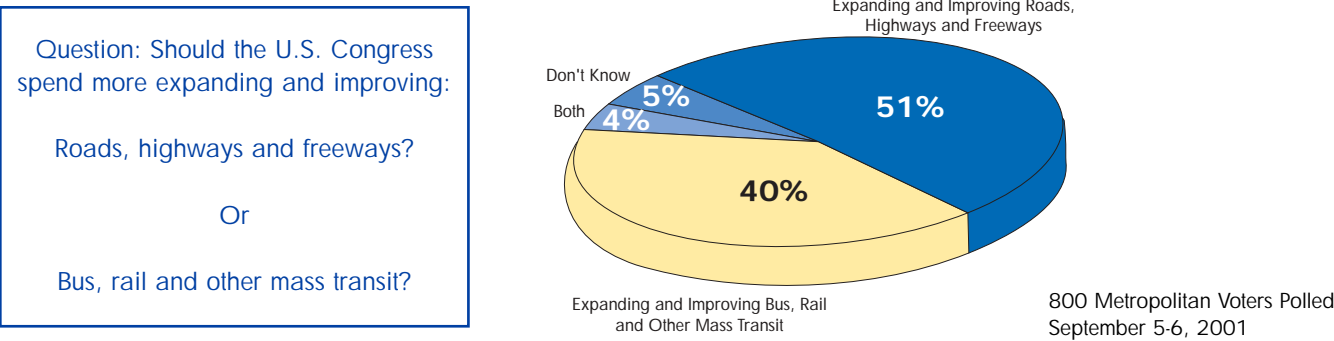


March 2001

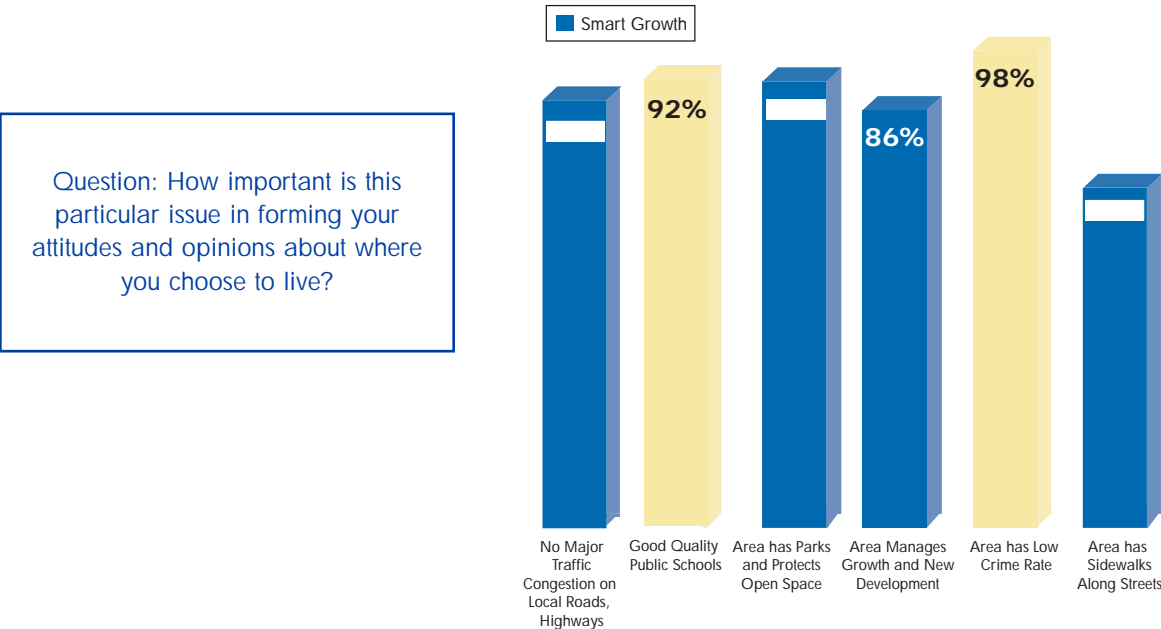
Voters in metropolitan areas support greater transportation options, saying they would use rail and bus to commute to work if these options were convenient, safe and available.



Most voters want to see transportation funds spent on new roads, but a significant minority want the funds dedicated to better transit:



While safe neighborhoods and good schools continue to be the most important factors for homebuyers, Smart Growth issues are gaining importance.



Smart Growth Challenge: Affordable Housing

A central component of any Smart Growth effort involves providing good quality housing that can be afforded by all members of a community. Unfortunately, public policies affecting growth and development often have just the opposite effect. Zoning and growth control policies can severely restrict the availability of developable land, or require homes to be built on large lots, or restrict the development of multifamily (apartment) properties. These policies limit the housing supply and raise its cost.

A Smart Growth approach provides for an adequate land supply for housing and encourages development of a wide range of housing types and prices as well as commercial real estate development. This may require changing zoning laws to allow more homes to be built on a piece of land; to allow a better mix of detached houses, attached townhouses, and apartments; or to provide a mix of residential and commercial development. Through good planning, including planning for transportation, schools, and parks, these more compact communities can make efficient use of land and create cherished walkable communities while serving a wider housing market.

Some policies adopted under the name of Smart Growth may make housing less affordable. For example, urban growth boundaries, which restrict suburban development beyond a certain line, are considered by some as a Smart Growth technique. But by restricting the availability of land for new housing, this has the unintended

consequence of increasing housing prices and shutting some people out of the housing market. For more than 100 years, the ability to go farther away from the core city where land is less expensive has been a crucial element of providing affordable homeownership.

Success Stories

Linda Clark – Building a Better Community

Knowing the strengths and attributes of a local community is a critical part of a REALTOR'S® job. Many REALTORS® are taking it a step further by actively working to increase their local community's strengths. REALTORS® can have a direct impact on improving the quality-of-life attributes in their neighborhoods, and taking such a leadership role is rewarding both professionally and personally.



Linda Clark, a broker-associate with Kline & Co. Commercial and Investment, REALTORS®, based in Fort Worth, Texas, has been just such a leader in her town. Fort Worth's Berry Street had once been a brick-paved, pedestrian friendly shopping street, but had deteriorated into thrift shops, vacant buildings and graffiti.

Sensing a decline in home values could be on the horizon, Clark agreed in 1995 to chair the Berry Street Initiative. At first she thought this role would involve a few meetings and some clean up projects. But several years later, the project has \$3 million in city, state and federal bond and grant funds and is about to begin work on major renovation.

In her role as chair, Clark has attracted new businesses, such as Walgreen's and a bookstore for nearby Texas Christian University.

She has also encouraged businesses to install monument signs and landscaping to make storefronts more inviting to pedestrians.

Eventually, the seven-lane street will be narrowed to four lanes, and a 14-foot wide sidewalk will encourage shopping, strolling and outdoor dining. Plans to create more housing on side streets will further increase pedestrian traffic.

Other Fort Worth neighborhoods are now taking a cue from the Berry Street success. Linda Clark has not only increased the visibility of her small company, she has preserved and improved the livability and commercial viability of her community.

Washington Association of REALTORS® – Using Growth to Improve Quality of Life

When Washington State passed the Growth Management Act of 1990 (GMA), many REALTORS® feared local governments would interpret the law as a license to stifle

development altogether. Recognizing that citizens generally wanted growth to be managed, the Washington Association of REALTORS® (WAR) set out to find what Washingtonians wanted from growth management.

What they found was citizens largely shared REALTORS® concerns: they wanted growth to improve, rather than impinge, their quality of life. They recognized that growth could mean everything from better restaurants to sports teams to increased job opportunities. But they would also be willing to forgo some of that if it meant overcrowded schools, traffic congestion, degradation of the environment and overpriced housing.

Realizing that growth management could offset some of these negatives, WAR decided to proactively develop the Quality of Life project – an effort to raise awareness among and knowledge level of WAR's membership so they could become active participants in drawing up the plans that local government will implement. Those plans will involve zoning for housing and the rules of development for the next several years.

A key goal of the Quality of Life project is to position REALTORS® "as a thoughtful and positive force in getting the local plans updated in ways that avoid public conflict and controversy, as well as advocates assisting in obtaining community support for the plan."

This project allows REALTORS® to be part of the process on the front end. To assist REALTORS®, WAR is offering training and consultation as well as policy papers and other tips. While WAR's Quality of Life project has been primarily funded from within WAR, the association has made strategic use of the resources of NAR's Smart Growth programs, including the State and Local Voter Surveys and the Land Use Initiative.

As REALTORS® have begun to work with the Quality of Life project, they have found allies on certain key issues. For example, WAR found support in the last legislative session to add a requirement that local development plans project the likely economic development and then provide zoning for the range of housing types and prices that workers in those jobs would need. WAR was successful in working to get this measure passed on the last day of the 2002 session.

